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REPORT
HERBERT WALLACE MEMORIAL
VOLUNTEER FIRE COMPANY
DECEMBER 31, 2007 AND 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/13/08

HERBERT WALLACE MEMORIAL
VOLUNTEER FIRE COMPANY

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DECEMBER 31, 2007 AND 2006

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MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN H. HEBERT, C.P.A.
ROBIN A. STROHMEYER, C.P.A.
GRADY C. LLOYD, III, C.P.A.
HENRY L. SILVIA, C.P.A.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 • New Orleans, LA 70112

(504) 586-8866

FAX (504) 525-5888

www.dhmcpc.com

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

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INDEPENDENT AUDITOR'S REPORT

June 20, 2008

Board of Directors
Herbert Wallace Memorial
Volunteer Fire Company

We have audited the accompanying statements of financial position of Herbert Wallace Memorial Volunteer Fire Company (a Louisiana nonprofit corporation) as of December 31, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Herbert Wallace Memorial Volunteer Fire Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Herbert Wallace Memorial Volunteer Fire Company as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2008 on our consideration of Herbert Wallace Memorial Volunteer Fire Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Duplantier, Hrapmann, Hogan & Maher, LLP

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
 STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

	<u>ASSETS</u>	
	<u>2007</u>	<u>2006</u>
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	\$ 17,855	\$ 56,859
Accounts receivable	-	65,015
Total current assets	<u>17,855</u>	<u>121,874</u>
PROPERTY AND EQUIPMENT: (Note 1)		
Equipment	91,564	91,564
Furniture and fixtures	19,973	12,168
Total	111,537	103,732
Less: accumulated depreciation	(72,814)	(52,761)
Net property and equipment	<u>38,723</u>	<u>50,971</u>
TOTAL ASSETS	<u>\$ 56,578</u>	<u>\$ 172,845</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 1,348	\$ -
Capital lease obligation (Note 9)	-	325
Total current liabilities	<u>1,348</u>	<u>325</u>
Total liabilities	<u>1,348</u>	<u>325</u>
NET ASSETS:		
Unrestricted	<u>55,230</u>	<u>172,520</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 56,578</u>	<u>\$ 172,845</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
 STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
UNRESTRICTED NET ASSETS:		
Revenues: (Note 1)		
Jefferson Parish contract	\$ 492,000	\$ 504,000
Insurance proceeds (Note 10)	22,447	23,017
Jefferson Parish insurance rebate	14,631	13,664
Other revenue	7,888	6,772
Total revenue	<u>536,966</u>	<u>547,453</u>
EXPENSES:		
Firefighting (Pages 4 and 5)	539,092	467,554
Support services:		
Administrative and general (Pages 4 and 5)	<u>115,164</u>	<u>86,878</u>
Total expenses	<u>654,256</u>	<u>554,432</u>
DECREASE IN UNRESTRICTED NET ASSETS	(117,290)	(6,979)
Net assets - beginning of period	<u>172,520</u>	<u>179,499</u>
NET ASSETS - END OF PERIOD	<u>\$ 55,230</u>	<u>\$ 172,520</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
 STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Firefighting</u>	<u>Administrative And General</u>	<u>Total</u>
EXPENSES: (Note 1)			
Auto repairs and upkeep	16,800	-	16,800
Conventions	-	-	-
Depreciation	16,464	3,588	20,052
Drinks and snacks		5,363	5,363
Dues and fees	-	399	399
Donations	-	250	250
Flowers and gifts	-	2,000	2,000
Insurance	134,389	-	134,389
Interest expense	-	150	150
Meeting expenses	-	772	772
Miscellaneous	23	233	256
Office expense	-	7,727	7,727
Payroll service	3,205	-	3,205
Payroll taxes	26,288	1,929	28,217
Postage and meter	-	794	794
Professional services	-	12,975	12,975
Repairs - equipment, radios, trucks	17,788	-	17,788
Salaries	311,054	25,215	336,269
Socials	-	4,158	4,158
Station supplies	-	28,363	28,363
Telephone	-	2,536	2,536
Training and supplies	875	-	875
Uniforms	12,206	-	12,206
Utilities	-	18,712	18,712
 TOTAL EXPENSES	 \$ <u>539,092</u>	 \$ <u>115,164</u>	 \$ <u>654,256</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Firefighting</u>	<u>Administrative And General</u>	<u>Total</u>
EXPENSES: (Note 1)			
Auto repairs and upkeep	\$ 21,279	\$ -	\$ 21,279
Conventions	-	1,026	1,026
Depreciation	15,979	2,933	18,912
Drinks and snacks	3,731	-	3,731
Dues and fees	-	158	158
Donations	-	75	75
Flowers and gifts	-	1,304	1,304
Insurance	101,317	-	101,317
Interest expense	-	101	101
Meeting expenses	-	1,006	1,006
Miscellaneous	628	29	657
Office expense	-	4,799	4,799
Payroll service	3,342	-	3,342
Payroll taxes	21,329	4,208	25,537
Postage and meter	-	1,084	1,084
Professional services	-	11,135	11,135
Repairs - equipment, radios, trucks	28,169	-	28,169
Salaries	266,522	28,753	295,275
Socials	-	4,300	4,300
Station supplies	-	7,256	7,256
Telephone	-	1,925	1,925
Training and supplies	194	-	194
Uniforms	5,064	-	5,064
Utilities	-	16,786	16,786
	<u>-</u>	<u>16,786</u>	<u>16,786</u>
 TOTAL EXPENSES	 \$ <u>467,554</u>	 \$ <u>86,878</u>	 \$ <u>554,432</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (117,290)	\$ (6,979)
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	20,052	18,912
Decrease (Increase) in accounts receivable	65,015	(64,587)
Increase in accounts payable	1,348	-
Net cash used by operating activities	<u>(30,875)</u>	<u>(52,654)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	<u>(7,804)</u>	<u>(5,443)</u>
Net cash used in investing activities	<u>(7,804)</u>	<u>(5,443)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease	<u>(325)</u>	<u>(1,868)</u>
Net cash used in financing activities	<u>(325)</u>	<u>(1,868)</u>
DECREASE IN CASH	(39,004)	(59,965)
Cash and cash equivalents at beginning of period	<u>56,859</u>	<u>116,824</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ <u><u>17,855</u></u>	\$ <u><u>56,859</u></u>
PAYMENTS DURING THE YEAR FOR:		
Interest	\$ <u><u>150</u></u>	\$ <u><u>236</u></u>
Income taxes	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

ORGANIZATION:

Herbert Wallace Memorial Volunteer Fire Company (the fire company) began operating as a nonprofit corporation on March 17, 2003 to provide the citizens in the Seventh Fire Protection District with fire protection and related services. The fire company also responds to emergencies such as floods and hurricanes. The fire company is under a month-to-month contract with Jefferson Parish. The majority of the fire company's revenue was derived from this contract. The fire company operates one fire station and has twelve paid employees and approximately ten volunteers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the fire company's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting and Presentation:

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the fire company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the fire company is required to present a statement of cash flows. At December 31, 2007 and 2006, the fire company had only unrestricted net assets.

The statement of activities presents expenses of the fire company's operations functionally between program services for firefighting and administrative and general. Those expenses which cannot be functionally categorized are allocated among functions based upon management's estimate of usage applicable to conducting those functions.

Contributions:

The fire company adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Sources of Revenue:

Herbert Wallace Memorial Volunteer Fire Company is one of five contractual fire companies of the Seventh Fire District, Parish of Jefferson. The Seventh Fire District of the Parish of Jefferson levies an ad valorem tax on assessed property of the district. The sum of this collection is equally divided between the five contractual volunteer fire companies of the district on a monthly pro-rata basis. The monthly allocation to the fire company for 2007 and 2006 was \$41,000 and \$42,000, respectively.

The fire company also participates in a fire insurance tax rebate program with Jefferson Parish. Jefferson Parish receives a rebate on the State of Louisiana's two percent (2%) fire insurance tax collected by the Commissioner of Insurance. The State of Louisiana determines the amount to be received by each fire district based on total population served. Herbert Wallace Memorial Volunteer Fire Company shares equally in the amount received by the Seventh District with each of the other four fire companies. The insurance rebate received during 2007 and 2006 was \$14,631 and \$13,664, respectively.

Property and Equipment:

The fire company capitalizes purchases of assets with a cost of \$500 or more. Property and equipment consists of equipment and furniture and fixtures that are carried at historical cost. All assets are depreciated over their estimated useful lives on the straight-line basis. Depreciation expense for 2007 and 2006 was \$20,052 and \$18,912, respectively.

Cash and Cash Equivalents:

For the purposes of reporting of cash flows, the fire company considers cash in operating bank accounts, demand deposits, cash on hand, and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents.

Deposits:

The fire company's bank deposits were fully covered by federal depository insurance and by securities pledged by the financial institution and held in the name of the fire company.

Donated Services:

Amounts have not been reflected in the financial statements for donated services because the value of these services was not readily determinable. However, a substantial number of volunteers have donated significant amounts of their time in the fire company's program services.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

2. INCOME TAXES:

The fire company is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a nonprofit organization and, accordingly, the financial statements do not reflect a provision for income taxes.

3. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. COMPENSATED ABSENCES:

During the year ended December 31, 2006, the fire company instituted a policy where no amounts for compensated absences are carried over to the subsequent year. If vacation time is not utilized by December 31 of each year, the time is forfeited. Due to this policy there would be not be a liability for compensated absences as of December 31, 2007 and 2006.

5. EXPENSES PAID BY OTHERS:

The full-time firefighters of the fire company receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. The amount of pay received varies based on years of service. As these supplemental state funds are paid directly to the firefighters, and do not pass through the fire company, they are not included in these financial statements.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments*, requires disclosure of the fair value of certain financial instruments. The book value of cash and cash equivalents, accounts receivable and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of these instruments.

7. CONCENTRATION OF CREDIT RISKS:

The fire company's income is derived primarily from a contract with Jefferson Parish to provide firefighting and rescue services.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

8. USE OF ASSETS OWNED BY JEFFERSON PARISH:

The fire station and fire trucks are owned by Jefferson Parish. The fire company uses these assets as part of the contract with Jefferson Parish. All other equipment is owned by the fire company.

9. CAPITAL LEASE OBLIGATIONS:

On March 1, 2004, the fire company executed a financing lease-purchase agreement with Canon Financial Services, Inc. for the acquisition of a copier. The lease obligation is amortized requiring 36 payments of \$164 due the 20th of each month and includes interest of 7.5%. The fire company is solely responsible for any damages to, destruction of, repairs and/or maintenance of the copier. The fire company has the option to purchase the copier "as is" at each payment date with written prior notification of not less than sixty days. The total cost and accumulated depreciation recorded for the copier financed by capital lease is \$5,272 and \$4,130, respectively, at December 31, 2007.

Future value of minimum lease payments is as follows at December 31:

	<u>2007</u>	<u>2006</u>
Future minimum lease payments	\$ --	\$ 328
Less: Amount representing interest	<u>--</u>	<u>3</u>
Present value of net minimum lease payments	--	325
Less: Current portion due within one year	<u>--</u>	<u>325</u>
Long-Term Capital Lease Obligation	\$ <u>--</u>	\$ <u>--</u>

10. INSURANCE PROCEEDS:

During 2007, the fire company received FEMA proceeds in the amount of \$22,447 for overtime wages paid during Hurricane Katrina. During 2006, \$23,017 was received from FEMA for damage to fire trucks during Hurricane Katrina.

11. LITIGATION:

The fire company is a defendant in a lawsuit that is being defended by their insurance company. The fire company does have insurance coverage for this claim. It is not possible to predict at this time the extent of the fire company's liability, if any.

12. RECLASSIFICATION:

Certain items in 2006 have been reclassified to conform to 2007 classification.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

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FAX (504) 525-5888

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

June 20, 2008

To the Board of Directors
Herbert Wallace Memorial
Volunteer Fire Company

We have audited the financial statements of Herbert Wallace Memorial Volunteer Fire Company (a nonprofit organization) as of and for the year ended December 31, 2007, and have issued our report thereon dated June 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Herbert Wallace Memorial Volunteer Fire Company's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects Herbert Wallace Memorial Volunteer Fire Company's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies 07-01 through 07-02 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Herbert Wallace Memorial Volunteer Fire Company's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Herbert Wallace Memorial Volunteer Fire Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Herbert Wallace Memorial Volunteer Fire Company's response to the findings in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Herbert Wallace Memorial Volunteer Fire Company's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Krapmann, Hogan & Maher, LLP

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
 SCHEDULE OF CURRENT YEAR FINDINGS
DECEMBER 31, 2007 AND 2006

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion on the financial statements of Herbert Wallace Memorial Volunteer Fire Company for the year ended December 31, 2007 was unqualified.
2. Internal Control
 Material weakness: none noted
 Significant deficiencies: 07-01 through 07-02
3. Compliance and Other Matters
 Noncompliance material to financial statements: none noted

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES

07-01

<u>Condition</u>	We noticed an instance of a check written from the vending account to "cash" for \$1,000 for ice machine supplies and expenses.
<u>Criteria</u>	Checks should not be written to "cash."
<u>Cause</u>	Convenience of using cash for transactions.
<u>Effect</u>	Checks with no specified payee can be cashed by anyone and easily misappropriated.
<u>Recommendation</u>	We recommend that checks be written directly to the payee.
<u>Management's Action Plan</u>	Checks will be written to the payee.

07-02

<u>Condition</u>	We noted that the cash accounts were not used as specified by management.
<u>Criteria</u>	We noted the following with regard to the Operating and Vending cash accounts: Mardi Gras throws were purchased with funds in the Operating account totaling \$4,250 for the year. The fire company participates in carnival activities by allowing their fire trucks to be used. This is one method of promoting their volunteer activities to recruit new members.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
SCHEDULE OF CURRENT YEAR FINDINGS
DECEMBER 31, 2007 AND 2006

07-02 (Continued)

The fire company has a policy that is approved by the Board for making expenditures for flowers, donations and gift cards. These amounts are generally paid from the vending account. However there were instances in which they were paid from the Operating account.

As per the June 7th, 2007 board meeting, the donations from River Birch Landfill were made to assist with the purchase of air packs. These funds were deposited into the Vending cash account. Management has been using these funds for truck expenses and supplies.

Cause

Cash accounts are used interchangeably.

Effect

Although separate cash accounts are maintained to keep operating and social expenses separated the checks written and deposits made into each account indicates that they are not used as such. Expenses for Social type funds are being written out of the Operating cash account.

Recommendation

We recommend that the cash accounts be used in the manner in which they were created.

Management's
Action Plan

Operating and Social expenses and income will be paid out of and deposited into their respective accounts.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2007

SUMMARY OF PRIOR YEAR FINDINGS:

06-01

Payment of Federal Unemployment Taxes (FUTA)

Finding resolved.